Ba-Phalaborwa Local Municipality
(Registration number LIM334)
Annual Financial Statements
for the year ended 30 June 2020
Published 31 October 2020

Ba-Phalaborwa Local Municipality

(Registration number LIM334)
Annual Financial Statements for the year ended 30 June 2020

General Information

Nature of business and principal activities	Local government institution in the Mopani District, Limpopo
Mayoral committee	
Mayor	Cllr. MM Malatji
Speaker	Cllr. E Hlungwane
Chief Whip	Cllr. D Rapatsa
Executive Committee Members	Cllr. S L Mohlala - EXCO member
	Cllr. T Nkuna - EXCO member
	Cllr. M S Magomane - EXCO member
	Cllr. S R De Beer - EXCO member
	Cllr. M M Malesa - EXCO member
	Cllr. S P Mashumu - EXCO member
Councillors	Cllr. KO Pilusa - MPAC Chairperson
	Cllr. R Makasela
	Cllr. KA Peta
	Cllr. KP Mhlarhi
	Cllr. ST Mkanzi
	Cllr. B Ramothwala
	Cllr. NJ Mampuru
	Cllr. ME Mokgalaka
	Cllr. Z Ndlovu
	Cllr. EA Mokoena
	Cllr. PK Mashego
	Cllr. LM Matlala
	Cllr. TC Malatjie
	Cllr. PS Dikgale (Deceased)
	Cllr. TS Ndlovu
	Cllr. GH Lamola
	Cllr. A Ngobeni
	Cllr. MRS Williamson
	Cllr. SM Shayi
	Cllr. DR Bayana
	Cllr. MMA Mathebula
	Cllr. RJ Mphogo
	Cllr. NB Maake (Resigned)
	Cllr. MJ Valoyi
	Cllr. SK Shai
	Cllr. AN Mmola
	Cllr. VM Rapatsa
	Cllr. MS Sekwakwa
Grading of local authority	Grade 3
Accounting Officer	Moakamela MI
Chief Finance Officer (CFO)	Mogano TJ
Registered office	Civic Centre, Nelson Mandela Drive Phalaborwa 1390

General Information

Business address	Civic Centre Nelson Mandela Drive Phalaborwa 1390
Postal address	Ba-Phalaborwa Municipality Private Bag 01020 Phalaborwa 1390
Bankers	Standard Bank of South Africa ABSA Bank
Auditors	Auditor-General South Africa
Attorneys	Masengane KE Attorneys Isaiah Nyathi Attorneys Thomas & Swanepoel Inc Mathonsi Attorneys Sikhitha Daniels & Associates Ngcingwana Inc Bernhard Van Der Hoven Gerhard Wagenaar Rapela Inc Attorneys Kgohlishi Abie Mamabolo Incorporated Kgatla Attorneys Maboka Mangena Attorneys Mahowa Inc Attorneys Mahumani Inc Maponya Inc Matabane Inc Mohale Incorporated Verveen Attorneys Chidi Attorneys
Published	31 October 2020
Audit Committee Members	Ravhudzulo KP CA(SA) - Chairperson Adv Nevondwe LT - Member Mangoma L - Member Ngobeni SAB - Member

Ba-Phalaborwa Local Municipality

(Registration number LIM334)
Annual Financial Statements for the year ended 30 June 2020

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

	Page
Accounting Officer's Responsibilities and Approval	4
Accounting Officer's Report	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 11
Accounting Policies	13 - 45
Notes to the Annual Financial Statements	46 - 102
Appendixes:	
Appendix A: Schedule of External loans	103
Appendix B: Analysis of Property, Plant and Equipment	105

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position despite the impact of the Covid-19 pandemic, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020 and were signed on its behalf by:

Moakamela MI

Phalaborwa

Saturday, 31 October 2020

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2020.

1. Review of activities

Main business and operations

2. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus (deficit) of R 807 169 104 and that the municipality's total liabilities exceed its assets by R 845 241 546.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in the notes of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

These accounting policies are consistent with the previous reporting perio

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Moakamela MI	South African

6. Auditors

Auditor-General South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2020

	Note(s)	2020 R	2019 R
Assets			
Current Assets			
Inventories	9	272 365 352	273 042 383
Receivables from non-exchange transactions	10&13	67 600 141	32 759 414
VAT receivable	11	-	1 625 545
Consumer debtors	12	82 402 413	37 388 455
Cash and cash equivalents	14	54 987 291	36 025 670
		477 355 197	**380 841 467**
Non-Current Assets			
Biological assets that form part of an agricultural activity	3	135 859	155 751
Investment property	4	219 383 000	215 068 571
Property, plant and equipment	5	799 338 916	812 906 017
Intangible assets	6	165 709	96 170
Heritage assets	7	317 000	317 000
		1 019 340 484	**1 028 543 509**
Non-Current Assets		1 019 340 484	1 028 543 509
Current Assets		477 355 197	380 841 467
Total Assets		**1 496 695 681**	**1 409 384 976**
Liabilities			
Current Liabilities			
Other financial liabilities	18	13 578 588	12 330 042
Finance lease obligation	16	667 022	461 414
Payables from exchange transactions	20	392 208 280	329 259 271
VAT payable		26 547 717	-
Consumer deposits	21	4 339 318	4 240 625
Employee benefit obligation	8	903 202	1 107 000
Unspent conditional grants and receipts	17	15 058 376	4 244 051
Provisions	19	534 730	3 375 213
		453 837 233	**355 017 616**
Non-Current Liabilities			
Other financial liabilities	18	59 673 577	100 517 792
Finance lease obligation	16	140 979	634 859
Employee benefit obligation	8	33 461 695	38 752 000
Provisions	19	104 340 659	101 162 205
		197 616 910	**241 066 856**
Non-Current Liabilities		197 616 910	241 066 856
Current Liabilities		453 837 233	355 017 616
Total Liabilities		**651 454 143**	**596 084 472**
Assets		1 496 695 681	1 409 384 976
Liabilities		(651 454 143)	(596 084 472)
Net Assets		**845 241 538**	**813 300 504**
Reserves			
Revaluation reserve	15	38 072 442	38 072 442
Accumulated surplus		807 169 104	775 228 062
Total Net Assets		**845 241 546**	**813 300 504**

Statement of Financial Performance

	Note(s)	2020 R	2019 R
Revenue			
Revenue from exchange transactions			
Service charges	23	150 251 535	110 692 529
Rental of facilities and equipment	24	430 016	655 349
Agency services	26	6 015 271	5 743 618
Licences and permits	27	2 645 086	2 826 148
Other income	28	1 813 550	67 569 784
Interest received	29	30 774 651	23 103 037
Fair value adjustments		4 294 537	58 795 122
Actuarial gains		11 521 045	9 763 098
Total revenue from exchange transactions		**207 745 691**	**279 148 685**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	141 850 344	110 617 437
Transfer revenue			
Government grants & subsidies	31	182 872 154	184 634 386
Public contributions and donations	32	-	2 282 308
Fines, Penalties and Forfeits	25	864 248	2 087 641
Other transfer revenue		162 985	2 599
Total revenue from non-exchange transactions		**325 749 731**	**299 624 371**
		207 745 691	279 148 685
		325 749 731	299 624 371
Total revenue	22	**533 495 422**	**578 773 056**
Expenditure			
Employee related costs	33	(149 717 714)	(142 284 245)
Remuneration of councillors	34	(17 743 167)	(15 016 612)
Depreciation and amortisation	35	(50 444 105)	(74 076 280)
Reversal of impairments	36	(99 243 605)	(120 867 995)
Finance costs	37	(15 448 929)	(15 034 628)
Bulk purchases	38	(84 703 814)	(77 376 382)
Contracted services	39	(33 710 940)	(26 474 610)
Loss on disposal of assets and liabilities		-	(36 554)
Inventories losses/write-downs		(1 675 310)	(424 134)
General Expenses	40	(72 272 910)	(85 098 428)
Total expenditure		**(524 960 494)**	**(556 689 868)**
		-	-
Total revenue		533 495 422	578 773 056
Total expenditure		(524 960 494)	(556 689 868)
Operating surplus/deficit		-	-
Surplus before taxation		8 534 928	22 083 188
Taxation		-	-
Surplus for the year		**8 534 928**	**22 083 188**

Statement of Changes in Net Assets

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Balance at 01 July 2018	**38 072 442**	**753 144 874**	**791 217 316**
Changes in net assets			
Surplus for the year	-	22 083 188	22 083 188
Total changes	-	22 083 188	22 083 188
Opening balance as previously reported	38 072 442	901 293 159	939 365 601
Adjustments			
Correction of errors	-	(102 658 983)	(102 658 983)
Balance at 01 July 2019 as restated*	**38 072 442**	**798 634 176**	**836 706 618**
Changes in net assets			
Surplus for the year	-	8 534 928	8 534 928
Total changes	-	8 534 928	8 534 928
Balance at 30 June 2020	**38 072 442**	**807 169 104**	**845 241 546**
Note(s)	15		

Cash Flow Statement

	Note(s)	2020 R	2019 R
Cash flows from operating activities			
Receipts			
Agency fees		6 014 756	6 605 161
Service revenue		108 501 714	115 753 891
Grants		198 162 505	187 536 951
Interest income		2 967 703	2 334 669
Rates		61 447 643	59 867 561
Water and sewerage		75 912 549	76 426 992
Traffic fines		858 488	429 671
Other income		5 245 231	6 423 632
		459 110 589	455 378 528
Payments			
Employee costs		(149 717 714)	(136 673 421)
Remuneration of councillors		(17 743 167)	(15 016 612)
Finance costs		(291 399)	(25 215)
Suppliers and other payments		(229 621 140)	(212 323 023)
		(397 373 420)	(364 038 271)
Total receipts		459 110 589	455 378 528
Total payments		(397 373 420)	(364 038 271)
Net cash flows from operating activities	43	**61 737 169**	**91 340 257**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(18 667 384)	(52 275 343)
Proceeds from sale of property, plant and equipment	5	-	(36 554)
Purchases of heritage assets	7	-	(317 000)
Proceeds from sale of biological assets that form part of an agricultural activity	3	(19 892)	36 554
Net cash flows from investing activities		**(18 687 276)**	**(52 592 343)**
Cash flows from financing activities			
Repayment of other financial liabilities		(23 800 000)	(11 537 747)
Finance lease payments		(288 272)	1 005 282
Net cash flows from financing activities		**(24 088 272)**	**(10 532 728)**
Net increase/(decrease) in cash and cash equivalents		**18 961 621**	**28 215 186**
Cash and cash equivalents at the beginning of the year		36 025 670	7 810 484
Cash and cash equivalents at the end of the year	14	**54 987 291**	**36 025 670**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	159 709 793	-	**159 709 793**	150 251 535	**(9 458 258)**	
Rental of facilities and equipment	553 888	-	**553 888**	430 016	**(123 872)**	
Agency services	-	-	**-**	6 015 271	**6 015 271**	
Licences and permits	-	-	**-**	2 645 086	**2 645 086**	
Other income	2 000 498	-	**2 000 498**	1 813 550	**(186 948)**	
Licences and permits	13 124 058	-	**13 124 058**	-	**(13 124 058)**	
Agency fees	2 992 189	-	**2 992 189**	-	**(2 992 189)**	
Interest received - outstanding debtors	70 033 938	-	**70 033 938**	30 774 651	**(39 259 287)**	
Interest received - investment	2 202 135	-	**2 202 135**	-	**(2 202 135)**	
Total revenue from exchange transactions	**250 616 499**	**-**	**250 616 499**	**191 930 109**	**(58 686 390)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	139 526 002	-	**139 526 002**	141 850 344	**2 324 342**	
Transfer revenue						
Government grants & subsidies	156 352 300	298 000	**156 650 300**	182 872 154	**26 221 854**	
Fines, Penalties and Forfeits	499 060	-	**499 060**	864 248	**365 188**	
Other transfer revenue 2	-	-	**-**	162 985	**162 985**	
Total revenue from non-exchange transactions	**296 377 362**	**298 000**	**296 675 362**	**325 749 731**	**29 074 369**	
'Total revenue from exchange transactions'	250 616 499	-	**250 616 499**	191 930 109	**(58 686 390)**	
'Total revenue from non-exchange transactions'	296 377 362	298 000	**296 675 362**	325 749 731	**29 074 369**	
Total revenue	**546 993 861**	**298 000**	**547 291 861**	**517 679 840**	**(29 612 021)**	
Expenditure						
Personnel	(158 214 468)	-	**(158 214 468)**	(149 717 714)	**8 496 754**	
Remuneration of councillors	(18 868 469)	-	**(18 868 469)**	(17 743 167)	**1 125 302**	
Depreciation and amortisation	(75 358 107)	-	**(75 358 107)**	(50 444 105)	**24 914 002**	
Impairment loss/ Reversal of impairments	(33 338 483)	-	**(33 338 483)**	(99 243 605)	**(65 905 122)**	
Finance costs	(575 309)	-	**(575 309)**	(15 448 929)	**(14 873 620)**	
Bulk purchases	(100 992 000)	-	**(100 992 000)**	(84 703 814)	**16 288 186**	
Contracted Services	(51 139 810)	-	**(51 139 810)**	(33 710 940)	**17 428 870**	
General Expenses	(95 243 247)	-	**(95 243 247)**	(72 272 910)	**22 970 337**	
Other material	(2 449 053)	-	**(2 449 053)**	-	**2 449 053**	
Total expenditure	**(536 178 946)**	**-**	**(536 178 946)**	**(523 285 184)**	**12 893 762**	
	546 993 861	298 000	**547 291 861**	517 679 840	**(29 612 021)**	
	(536 178 946)	-	**(536 178 946)**	(523 285 184)	**12 893 762**	
Operating deficit	**10 814 915**	**298 000**	**11 112 915**	**(5 605 344)**	**(16 718 259)**	
Fair value adjustments	-	-	**-**	4 294 537	**4 294 537**	
Actuarial gains/losses	-	-	**-**	11 521 045	**11 521 045**	
Inventories losses/write-downs	-	-	**-**	(1 675 310)	**(1 675 310)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
	-	-	-	**14 140 272**	**14 140 272**	
	10 814 915	298 000	**11 112 915**	(5 605 344)	**(16 718 259)**	
	-	-	-	14 140 272	**14 140 272**	
Surplus before taxation	**10 814 915**	**298 000**	**11 112 915**	**8 534 928**	**(2 577 987)**	
Deficit before taxation	10 814 915	298 000	**11 112 915**	8 534 928	**(2 577 987)**	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**10 814 915**	**298 000**	**11 112 915**	**8 534 928**	**(2 577 987)**	

Reconciliation

Accounting Policies

	Note(s)	2020 R	2019 R

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period. The important is measured as the difference between the debtors carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

The important is measured as the difference between the debtors carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Contingent provisions on entity combinations

Contingencies recognised in the current year required estimates and judgments, refer to note on entity combinations.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Accounting Policies

1.6 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note).

1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Accounting Policies

1.7 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Accounting Policies

1.7 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight-line	30 years
Infrastructure	Straight-line	2 - 100 years
Community	Straight-line	5 - 100 years
Other property, plant and equipment	Straight-line	3 - 20 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Accounting Policies

1.7 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.9 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Accounting Policies

1.9 Intangible assets (continued)

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight-line	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Accounting Policies

1.10 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Accounting Policies

1.11 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Accounting Policies

1.11 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
VAT receivable	Financial liability measured at amortised cost
Other financial liability	Financial liability measured at fair value

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Accounting Policies

1.12 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.13 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Accounting Policies

1.13 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Accounting Policies

1.16 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municpality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.16 Employee benefits (continued)

Insured benefits

Where the entity pays insurance premiums to fund a post-employment benefit plan, the municipality treats such a plan as a defined contribution plan unless the municipality will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the municipality retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipaliy to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Accounting Policies

1.16 Employee benefits (continued)

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.16 Employee benefits (continued)

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.17 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.18 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Accounting Policies

1.19 Revenue from exchange transactions (continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Accounting Policies

1.24 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

1.27 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.28 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.29 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

Accounting Policies

1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.31 Land inventory

Initial recognition and measurement.

Land inventory is a tangible asset that is held for sale or distribution in the ordinary course of operations.

Land inventory shall be recognised as an asset if and only if
- it is probable that future economic benefits or service potential associated with the item will flow tothe municipality; and
- the cost of the land inventory can be measured reliably..

Inventories that qualify for recognition as assets is initially measured at cost. Inventories are measured at the lower of cost and current replacement cost. When inventories are acquired at no cost, or for nominal consideration, their costs is its fair value as at the date of acquisition.

Subsequent measurement

Inventories are measured at the lower of cost or current replacement cost where they are held for distribution at no charge or for a nominal charge.

Land registered in the name of the municiaplity earmarked for human settlements at a fee and where there is no uncertainty regarding date of release is classified as land inventory held for sale

1.32 Value Added Taxation

The municipality accounts for value added taxation on the payment basis.

	2020 R	2019 R

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality has adopted the interpretation for the first time in the 2020/2020 annual financial statements.

The impact of the interpretation is set out in note Changes in Accounting Policy.

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality has adopted the interpretation for the first time when the Minister sets the effective date for the interpretation.

The impact of the interpretation is not material.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 July 2019

The municipality has adopted the standard for the first time in the 2020/2020 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2020/2020 annual financial statements.

The impact of the standard is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the is not yet set by the Minister of Finance.

The municipality has adopted the for the first time when the Minister sets the effective date for the .

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The municipality has adopted the guideline for the first time in the 2018/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:
- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2020.

The municipality has adopted the interpretation for the first time in the 2018/2020 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:
- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

Notes to the Annual Financial Statements

2. **New standards and interpretations (continued)**
   - General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
   - IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

A municipality applies judgement based on past experience and current facts and circumstances.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Directive 7 (revised): The Application of Deemed Cost

This Directive was originally issued by the Accounting Standards Board (the Board) in December 2009. Since then, it has been amended by:

- Consequential amendments when the following Standards of GRAP were amended to clarify some of the principles:
  - GRAP 105 Transfer of Functions Between Entities Under Common Control
  - GRAP 107 Mergers
- Consequential amendments arising from GRAP 110 *Living and Non-living Resources* issued in December 2017.
- Consequential amendments arising from the following Standards of GRAP in May 2018:
  - GRAP 34 *Separate Financial Statements*
  - GRAP 35 *Consolidated Financial Statements*
  - GRAP 36 *Investments in Associates and Joint Ventures*
  - GRAP 37 *Joint Arrangements*
  - GRAP 38 *Disclosure of Interests in Other Entities*

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of this Directive coincides with the effective dates of the applicable Standards of GRAP, as determined by the Minister of Finance. If an entity has assets that it previously could not recognise and/or measure in accordance with the Standards of GRAP on their initial adoption on the transfer date or the merger date because information about the acquisition cost of the assets was not available, an entity applies this Directive to those assets. The fair value of those assets is determined at the date of adopting the Standards of GRAP on the transfer date or the merger date in accordance with the Directive's Appendix paragraph A3.

The effective date of this revised directive is for years beginning on or after 01 April 2020.

The municipality expects to adopt the directive for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 20: Accounting for Adjustments to Revenue

As per the background to this Interpretation of the Standards of GRAP, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation of the Standards of GRAP clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand

3. Biological assets that form part of an agricultural activity

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in timber plantation - Consumable	135 859	-	135 859	155 751	-	155 751

Reconciliation of biological assets that form part of an agricultural activity - 2020

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	155 751	(19 892)	135 859

Reconciliation of biological assets that form part of an agricultural activity - 2019

	Opening balance	Disposals	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	104 526	(36 554)	87 779	155 751

Notes to the Annual Financial Statements

	2020 R	2019 R

3. Biological assets that form part of an agricultural activity (continued)

Methods and assumptions used in determining fair value

The effective date of valuation was 30 June 2020. The municipality engaged the services of an expert valuer for the biological assets who used the open market value of the flowers and trees at year end. The details of the valuer are Rampotile Jairus Nkgapele, Smart inputs agriculture solutions.

The assumptions are based on the current market values

The excess or deficit is recognised in the surplus of deficit for the year.

4. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	219 383 000	-	219 383 000	215 068 571	-	215 068 571

Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	215 068 571	4 314 429	219 383 000

Reconciliation of investment property - 2019

	Opening balance	Additions	Transfers received (Inventory)	Transfers received (PPE)	Fair value adjustments	Total
Investment property	36 853 306	127 827 000	59 768 338	10 230 000	(19 610 073)	215 068 571

Pledged as security

There are no investment properties pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	80 016 293	-	80 016 293	80 016 293	-	80 016 293
Buildings	328 408 616	(239 464 166)	88 944 450	327 029 276	(227 409 753)	99 619 523
Infrastructure	875 344 613	(442 387 213)	432 957 400	898 588 608	(492 966 828)	405 621 780
Community	404 903 583	(300 316 170)	104 587 413	404 311 208	(277 206 287)	127 104 921
Library books	-	(69 538)	(69 538)	69 538	(69 538)	-
Capital work in progess (WIP)	91 065 674	-	91 065 674	84 265 969	-	84 265 969
Other property, plant and equipment (Movables)	44 067 726	(42 230 502)	1 837 224	52 062 962	(35 785 431)	16 277 531
Total	**1 823 806 505**	**(1 024 467 589)**	**799 338 916**	**1 846 343 854**	**(1 033 437 837)**	**812 906 017**

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	80 016 293	-	-	-	-	80 016 293
Buildings	99 619 523	-	-	(10 675 073)	-	88 944 450
Infrastructure	405 621 780	10 130 870	48 968 265	(31 763 515)	-	432 957 400
Community	127 104 921	592 381	-	(23 109 889)	-	104 587 413
Bins and containers	-	-	-	(69 538)	-	(69 538)
Other property, plant and equipment # 1	84 265 969	20 845 442	-	(14 045 737)	-	91 065 674
Weapons systems	16 277 531	1 725 423	-	(15 850 880)	(314 850)	1 837 224
	812 906 017	**33 294 116**	**48 968 265**	**(95 514 632)**	**(314 850)**	**799 338 916**

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers out	Transfers	Other changes, movements	Depreciation	Total
Land	98 673 485	-	(31 274 000)	12 616 808	-	-	80 016 293
Buildings	111 622 415	-	-	-	-	(12 002 892)	99 619 523
Infrastructure	384 110 917	753 744	-	56 015 550	-	(35 258 431)	405 621 780
Community	146 899 038	393 583	-	-	2 778 928	(22 966 628)	127 104 921
Capital work in progress	97 915 407	42 366 112	-	(56 015 550)	-	-	84 265 969
Other property, plant and equipment (Movables)	11 429 734	8 237 914	-	-	-	(3 390 117)	16 277 531
	850 650 996	**51 751 353**	**(31 274 000)**	**12 616 808**	**2 778 928**	**(73 618 068)**	**812 906 017**

Pledged as security

There are no assets pledged as security

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Total
Opening balance	84 265 971	84 265 971
Additions/capital expenditure	27 061 682	27 061 682
Transferred to completed items	(10 130 870)	(10 130 870)
	101 196 783	**101 196 783**

Notes to the Annual Financial Statements

	2020 R	2019 R

5. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Total
Opening balance	89 382 293	89 382 293
Transferred to completed items	(5 116 322)	(5 116 322)
	84 265 971	**84 265 971**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand

6. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 349 483	(2 183 774)	165 709	2 279 945	(2 183 775)	96 170

Reconciliation of intangible assets - 2020

	Opening balance	Impairment reversal	Total
Computer software, other	96 170	69 539	165 709

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software, other	547 641	(451 471)	96 170

Pledged as security

Carrying value of intangible assets pledged as security:

Used to secure (borrowings) (banking facilities) (other: specify) granted to the municipality of R - (2019: R -).- refer to note .

Used to secure (borrowings) (banking facilities) (other: specify) granted to the municipality of R - (2019: R -).- refer to note .

Notes to the Annual Financial Statements

Figures in Rand

7. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	317 000	-	317 000	317 000	-	317 000

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical monuments	317 000	317 000

Reconciliation of heritage assets 2019

	Opening balance	Total
Historical monuments	317 000	317 000

	2020 R	2019 R

8. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The municipality has a policy to subsidise the post-employment health care costs of employees that are covered by the municipality sponsored health care arrangements at retirement.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by One Pangaea Enterprise Solutions (Pty) Ltd, a fellow of the Actuarial Society of South Africa.

The Projected Unit Credit Method was used to value the post-retirement medical aid plan liabilities.

The liability in respect of active members has been proportioned between past service and future service. The liability in respect of current pensioners is fully accounted for.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(34 364 897)	(39 859 000)
Non-current liabilities	(33 461 695)	(38 752 000)
Current liabilities	(903 202)	(1 107 000)
	(34 364 897)	**(39 859 000)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	39 859 000	43 758 000
Benefits paid	-	(946 000)
Net expense recognised in the statement of financial performance	-	(2 953 000)
	39 859 000	**39 859 000**

Net expense recognised in the statement of financial performance

Current service cost	-	2 045 000
Interest cost	-	4 527 000
Actuarial (gains) losses	-	(9 525 000)
	-	**(2 953 000)**

Calculation of actuarial gains and losses

Actuarial (gains) losses arising from changes in financial assumptions	-	(3 238 000)
Actuarial (gains) losses arising from experience adjustments	-	(6 287 000)
	-	**(9 525 000)**

Notes to the Annual Financial Statements

	2020 R	2019 R

8. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	13,94 %	10,68 %
Long term price inflation	8,67 %	6,99 %
Medical inflation increase rate	10,17 %	8,49 %
Net discount rate	3,42 %	2,01 %

Discount rate

The discount rate reflects the estimated timing of benefit payments which is oftenly achieved by applying a single wighted average discount rate that reflects the estimated timing and amount of benefit payments and the currency in which the benefits are to be paid. The discount rate that reflects the time value of money is the best approximated by reference to market yields at the reporting date on government bonds. The municipality used the average nominal yield curve produced by the JSE (accessed through Inet BFA data service) for SA Government bonds with duration of between 15 and 20 years as at 30 June 2020. The discount rate was 13.94% (2019: 10.68%)

Future Medical Inflation

The general inflation assumption was used to estimate the base rate for determining the rate at which the future medical subsidies will increase. South Africa has experienced high medical cost inflation in recent years and the assumption used was that medical cost will outstrip general inflation by about 1.5% per annum. The medical cost inflation rate was therefore set at 10.17% (2019: 8.49%)

Net Discount Rate

Even though the actual values used for the discount rate and the expected increase in salary are important, the "gap" between the two assumptions is more important. This "gap" is referred to as the net discount rate. The net discount rate in the valuation is 3.42% (2019: 2.01%) per annum (derived from a discont rate of 10.22% and the expected medical inflation rate of .....

Pre-retirement mortality

The SA85/90 light mortality table, rated down by 1 year, was used in the valuation for the mortality of in-service members. This is the most recent South African Life table and is also the table most often used Life Insurers.

Post-retirement mortality

The PA90 ultimate mortality table down by 2 years was used in the valuation for the mortality of Continuation Members. An allowance for future mortality improvement at the rate of 1% p.a. has been allowed for.

Assumed Retirement Age.

The Normal Retirement Age is 65 years. We have assumed that employees will retire at age 63, which implicitly allows for the expected rates of early retirement.

Notes to the Annual Financial Statements

	2020 R	2019 R

8. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point increase
Effect on the aggregate of the service cost and interest cost	-	(5 558 000)
Effect on defined benefit obligation	-	(5 558 000)

Amounts for the current and previous four years are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	34 364 897	39 859 000	43 758 000	36 946 000	38 285 000

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

The total economic entity contribution to such schemes recognised as an expense	-	14 448 556

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

Notes to the Annual Financial Statements

	2020 R	2019 R

9. Inventories

Consumable stores	15 981 352	16 658 383
Land inventories	256 384 000	256 384 000
	272 365 352	**273 042 383**

9.1 Inventory write-downs

Stock count variances	(54 614)	715 985
Inventory write down	(1 620 696)	(1 140 119)
	(1 675 310)	**(424 134)**

Inventory write-downs

It is the municipality's policy to make inventory write downs for obsolete and expried stock. During the current year, the assessment of inventory for impairment resulted in write downs reported above.

Land Inventory

This relates to parcels that the municipality intends to develop for the future distribution of the community.

Included in the disclosure note for land inventory is land that belongs to the municipality which is illegally occupied.

Inventory pledged as security

No inventory was pledged as security.

Inventory expensed

Inventory issued during the current year	667 380	9 436 361

10. Receivables from non-exchange transactions

Consumer debtors - Rates	67 542 481	32 759 414
Consumer debtors - Other (Specified)	57 660	-
	67 600 141	**32 759 414**

Receivables from non-exchange transactions pledged as security

There are no receivables from non-exchange transactions that were pledged as security.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings to historical information about counterparty default rates:

11. VAT receivable

VAT	-	1 625 545

VAT is payable to SARS on receipt basis. No interest is payable to SARS if the VAT is paid over timeously. However, interest for late payments charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are made before the due date.

Notes to the Annual Financial Statements

	2020 R	2019 R
12. Consumer debtors		
Gross balances		
Electricity	89 815 594	41 633 343
Refuse	106 354 674	87 849 312
Other (specify)	121 324 444	120 378 854
	317 494 712	**249 861 509**
Less: Allowance for impairment		
Electricity	(28 839 979)	(18 305 947)
Refuse	(93 949 691)	(81 191 516)
Sundry Debtors	(112 302 629)	(112 975 591)
	(235 092 299)	**(212 473 054)**
Net balance		
Electricity	60 975 615	23 327 396
Refuse	12 404 983	6 657 796
Other (specify)	9 021 815	7 403 263
	82 402 413	**37 388 455**
Electricity		
Current (0 -30 days)	5 581 985	5 997 276
31 - 60 days	2 526 585	2 488 752
61 - 90 days	2 064 636	1 606 311
91 - 120 days	1 732 553	1 263 800
121 - 365 days	1 478 651	1 267 196
> 365 days	37 824 277	29 010 008
	51 208 686	**41 633 343**
Refuse		
Current (0 -30 days)	1 812 792	1 668 587
31 - 60 days	1 625 343	1 387 174
61 - 90 days	1 801 514	1 255 381
91 - 120 days	1 411 826	1 185 709
121 - 365 days	1 402 236	1 204 168
> 365 days	94 425 770	43 223
	102 479 482	**87 849 312**
Sundry Services		
Current (0 -30 days)	752 043	773 244
31 - 60 days	735 094	733 159
61 - 90 days	829 454	704 199
91 - 120 days	720 859	718 100
121 - 365 days	696 781	682 375
> 365 days	116 052 796	2 584 374
	119 787 026	**120 378 854**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(212 473 054)	(174 980 781)
Contributions to allowance	(22 619 245)	(37 492 273)
	(235 092 299)	**(212 473 054)**

	2020 R	2019 R

12. Consumer debtors (continued)

Consumer debtors pledged as security

There are no receiables from exchange transactions that were pledged as security.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Fair value of consumer debtors

13. Receivables from non exchange transactions

Gross balances		
Consumer debtors - Rates	419 999 291	327 041 577
Consumer debtors - Other (Specified)	30 689 373	29 912 475
	450 688 664	**356 954 052**
Less: Allowance for impairment		
Consumer debtors - Rates	(352 456 810)	(294 282 163)
Consumer debtors - Other (Specified)	(30 631 713)	(29 912 475)
	(383 088 523)	**(324 194 638)**
Net balance		
Consumer debtors - Rates	67 542 481	32 759 414
Consumer debtors - Other (Specified)	57 660	-
	67 600 141	**32 759 414**
Rates		
Current (0 -30 days)	9 938 819	10 148 776
31 - 60 days	7 906 456	7 932 439
61 - 90 days	7 507 909	7 157 664
91 - 120 days	6 554 828	6 780 441
121 - 365 days	5 882 962	6 543 661
> 365 days	356 481 432	288 478 596
	394 272 407	**327 041 577**
Other (specify)		
Current (0 -30 days)	57 660	-

Summary of debtors by customer classification

Reconciliation of allowance for impairment		
Balance at beginning of the year	(324 194 638)	(240 818 914)
Contributions to allowance	(81 466 854)	(83 375 724)
Reversal of allowance	405 661 492	324 194 638
	-	-

14. Cash and cash equivalents

Cash and cash equivalents consist of:

	2020 R	2019 R

14. Cash and cash equivalents (continued)

Cash on hand	233	1 758
Bank balances	2 624 674	18 629 231
Short-term deposits	52 362 384	17 394 681
	54 987 291	**36 025 670**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
Standard Bank - Baa3	56 550 221	19 787 635
115739	122 345	115 739
	56 672 566	**19 903 374**

Cash and cash equivalents pledged as collateral

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
Standard Bank - Cheque Account - 330-451-3670001	3 220 820	1 555 402	534 717	1 562 604	21 779 406	(1 584 576)
Standard Bank - Investment Account - 238-711-102-001	15 215 924	5 241 598	4 224 526	15 215 924	5 241 598	4 224 526
Standard Bank - Investment Account - 238-711-102-002	30 154 159	5 459 534	3 262 220	30 154 159	5 459 534	3 262 220
Standard Bank - Investment Account - 238-711-102-004	6 540 870	6 259 979	1 134 086	6 540 870	6 259 979	1 134 086
Standard Bank - Investment Account - 238-711-102-005	348 081	330 220	310 829	348 081	330 220	310 829
Standard Bank - Investment Account - 243-098-804-000	948 022	940 902	358 354	948 022	940 902	358 290
ABSA Bank - Call Account - 406-162-3641	2 181	2 631	3 030	2 181	-	3 030
ABSA Bank - Fixed Deposit - 206-427-0257	120 164	113 108	100 321	120 164	-	100 321
Total	**56 550 221**	**19 903 374**	**9 928 083**	**54 892 005**	**40 011 639**	**7 808 726**

The difference between the cash book balance and bank statements for the Standard Bank - Cheque Account - 220-451-3670001 was caused by unpresented cheques, outstanding deposits and outstanding transfers at year end.

15. Revaluation reserve

In terms of the articles of association, ...(describe if reserves are distributable).

Opening balance	38 072 442	38 072 442

Revaluation surplus relating to property, plant and equipment

	2020 R	2019 R

16. Finance lease obligation

Minimum lease payments due		
- within one year	525 633	550 580
- in second to fifth year inclusive	157 208	682 841
	682 841	1 233 421
less: future finance charges	(34 080)	(137 148)
Present value of minimum lease payments	**648 761**	**1 096 273**
Present value of minimum lease payments due		
- within one year	682 841	1 233 421
- in second to fifth year inclusive	(34 080)	(137 148)
	648 761	**1 096 273**
Non-current liabilities	140 979	634 859
Current liabilities	667 022	461 414
	808 001	**1 096 273**

Ba-Phalaborwa Local Municipality has finance leases for laptops with Vodacom as well as ipads with Mobile Telephone Networks (Pty) Ltd which were entered into in the current year.

The monthly repayments were R67 354. The interest rate is 7

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal infrastructure grant	11 368 413	4 064 075
Integrated Electrification Programme	2 819 004	32 346
Financial Management Grant	723 329	-
Electricity Effeciency Demand Side Management Grant	147 630	147 630
	15 058 376	**4 244 051**
Movement during the year		
Balance at the beginning of the year	4 244 051	1 341 486
Additions during the year	10 814 325	187 536 950
Income recognition during the year	-	(184 634 385)
	15 058 376	**4 244 051**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements

	2020 R	2019 R
18. Other financial liabilities		
At amortised cost Lepelle Northern Water Terms and conditions	73 252 165	112 847 834
Non-current liabilities At amortised cost	59 673 577	100 517 792
Current liabilities At amortised cost	13 578 588	12 330 042

Compound financial instruments with multiple embedded derivatives

[Where the entity has issued an instrument that contains both a liability and a residual interest component and the instrument has multiple embedded derivatives whose values are interdependent, disclose the existence of those features]

	2020 R	2019 R

19. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Interest charge	Actuarial (gain)/loss	Total
Environmental rehabilitation	99 183 370	(7 364 740)	-	(867 082)	7 631 863	149 926	98 733 33
Employee benefit cost	5 892 058	559 371	(408 600)	496 131	(846 943)	-	5 692 01
	105 075 428	**(6 805 369)**	**(408 600)**	**(370 951)**	**6 784 920**	**149 926**	**104 425 35**

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Interest Charge	Actuarial (gain)/loss	Total
Environmental rehabilitation	88 190 992	4 836 207	-	6 156 171	-	99 183 370
Provision 1	5 607 322	509 940	(1 030 070)	468 362	336 506	5 892 060
	93 798 314	**5 346 147**	**(1 030 070)**	**6 624 533**	**336 506**	**105 075 430**

Non-current liabilities	104 340 659	101 162 205
Current liabilities	534 730	3 375 213
	104 875 389	**104 537 418**

Environmental rehabilitation provision

The provision for landfill sites rehabilitation relates to estimated cost for the rehabilitation of three (3) land fill sites operated by the municipality.

The evaluation, audit and computation of the provision for the rehabilitation of the sites was carried out by Environmental & Sustainability Solutions CC.

Phalaborwa landfill site is expected to be used for the next year and it is estimated that R70 016 840 (2019: R66 650 284) will be spent to rehabilitate the site

Namakgale landfill site has reached its useful life and it is estimated that R30 741 234 (2019: R29 557 380) will be spent to rehabilitate the site

Gravelotte landfill site has been recommended for closure as it does not comply with minimum requirements of a landfill site. The estimated costs for rehabilitating the site is R15 459 441 (2019: R15 113 112) will be spent to rehabilitate the site

Employee benefit cost provision - Long service awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long Service Award is payable after 10 years of uniterrupted service and every five years thereafter to employees. The provision is an estimate of the long service based on the historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plans assets and the present value of the defined obligation were carried out as at 30 June 2020 by One Pangaea Enterprise Solutions (Pty) Ltd, a fellow of the Actuarial Society of South Africa. .

The present value of the defined benefit obligation, the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

As at 30 June 2020 382 (2019: 392) employees were eligible for Long-service awards.

Social benefits provision

Notes to the Annual Financial Statements

	2020 R	2019 R

19. Provisions (continued)

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

20. Payables from exchange transactions

Trade payables	66 336 619	35 773 289
Sundry payables	11 181 272	11 005 280
Accrued leave pay	20 956 311	14 690 907
Accrued bonus	2 534 709	2 442 906
Retentions	8 501 257	9 782 513
Other Creditors	555 909	(52 435)
Payroll Accruals	(307 643)	(1 056 680)
Mopani District Municipality (Water and Sanitation)	282 449 846	256 673 491
	392 208 280	**329 259 271**

21. Consumer deposits

Electricity	4 339 318	4 240 625

22. Revenue

Service charges	150 251 535	110 692 529
Rental of facilities and equipment	430 016	655 349
Agency services	6 015 271	5 743 618
Licences and permits	2 645 086	2 826 148
Other income	1 813 550	67 569 784
Interest received - investment	30 774 651	23 103 037
Property rates	141 850 344	110 617 437
Indigent Support FBS	182 872 154	184 634 386
Public contributions and donations	-	2 282 308
Fines, Penalties and Forfeits	864 248	2 087 641
Other transfer revenue [1]	162 985	2 599
	517 679 840	**510 214 836**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	150 251 535	110 692 529
Rental of facilities and equipment	430 016	655 349
Agency services	6 015 271	5 743 618
Licences and permits	2 645 086	2 826 148
Other income - (rollup)	1 813 550	67 569 784
Interest received - investment	30 774 651	23 103 037
	191 930 109	**210 590 465**

	2020 R	2019 R
22. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	141 850 344	110 617 437
Transfer revenue		
Government grants & subsidies	182 872 154	184 634 386
Public contributions and donations	-	2 282 308
Fines, Penalties and Forfeits	864 248	2 087 641
Other transfer revenue	162 985	2 599
	325 749 731	**299 624 371**
23. Service charges		
Sale of electricity	130 868 593	95 540 483
Refuse removal	19 382 942	15 152 046
	150 251 535	**110 692 529**
24. Rental of facilities and equipment		
Premises		
Hiring of municipal halls	112 912	236 238
Rent received from investment property	202 169	352 251
	315 081	**588 489**
Facilities and equipment		
Hiring of stadium	65 173	6 676
Advertisement of billboards	49 762	60 184
	114 935	**66 860**
Premises	315 081	588 489
Garages and parking	-	-
Facilities and equipment	114 935	66 860
	430 016	**655 349**
25. Fines, Penalties and Forfeits		
Library fines	5 760	14 016
Municipal Traffic Fines	858 488	2 073 625
	864 248	**2 087 641**
26. Agency services		
Water and Sanitation	6 014 386	3 505 378
Vehicle Licenses	885	2 238 240
	6 015 271	**5 743 618**

Notes to the Annual Financial Statements

	2020 R	2019 R
27. Licences and permits		
Drivers licences	424 555	599 022
Licences	2 119 317	2 080 189
Roadworthy certification	101 214	146 937
	2 645 086	**2 826 148**
28. Other income		
Building plan fees	58 896	127 391
Cemetery fees	140 823	185 280
Clearance certificates	53 069	28 982
Connection fees	593 612	857 482
Sundry income	501 200	1 300 597
Selling bid documents	1 894	13 912
Selling of municipal land	464 056	114 785
Write-back of receivable	-	64 941 355
	1 813 550	**67 569 784**
29. Investment revenue		
Interest revenue		
Bank	2 967 703	2 334 669
Interest charged on trade and other receivables	27 806 948	20 768 368
	30 774 651	**23 103 037**
	-	-
	30 774 651	23 103 037
30. Property rates		
Rates received		
Residential	141 850 344	110 617 437
Valuations		
Residential	5 599 889	5 110 185
Commercial	2 745 945	2 374 108
State	441 201	533 318
Municipal	1 175 045	868 345
Agriculture	3 723 673	2 966 292
Other	2 452 165	255 965
	16 137 918	**12 108 213**

The last general valuation came into effect on 01 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

	2020 R	2019 R

31. Government grants and subsidies

Operating grants		
Equitable share	150 928 976	132 485 000
Financial management grant	1 956 671	2 215 000
Municipal infrastructure grant	24 721 663	42 372 925
Integrated national electrification grant	3 707 557	6 161 510
Local government sector education training authority grant	264 917	399 951
Expanded public works programme grant	1 142 000	1 000 000
Government grant (operating) 11	(147 630)	-
Government grant (operating) 13	298 000	-
	182 872 154	**184 634 386**
	182 872 154	184 634 386
	-	-

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	33 943 178	52 149 386
Unconditional grants received	150 928 976	132 485 000
	184 872 154	**184 634 386**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive an annual subsidy which is funded from the grant.

Municipal infrastructure grant

Balance unspent at beginning of year	4 064 075	-
Current-year receipts	7 304 338	46 437 000
Conditions met - transferred to revenue	-	(42 372 925)
	11 368 413	**4 064 075**

Conditions still to be met - remain liabilities (see note 17).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sports complex infrastructure as part of the upgrading of previously disadvantaged areas.

The Municipality applied for roll over of the unspent portion of the grant to be approved by National Treasury.

Integrated national electrification grant

Balance unspent at beginning of year	32 346	1 193 856
Current-year receipts	2 786 658	5 000 000
Conditions met - transferred to revenue	-	(6 161 510)
	2 819 004	**32 346**

Conditions still to be met - remain liabilities (see note 17).

The grant is received from the National Government for electrification projects within the previously disadvantaged communities of the municipality.

The Municipality applied for roll over of the unspent portion of the grant to be approved by the National Treasury.

	2020 R	2019 R

31. Government grants and subsidies (continued)

Financial management grant

Current-year receipts	2 215 000	2 215 000
Conditions met - transferred to revenue	(1 491 671)	(2 215 000)
	723 329	-

The Financial Management Grant (FMG) is paid to the municipality to help implement the financial reforms required by the MFMA 2003. The grant also pays for the cost of the financial management internship programme, i.e. salary of the financial management interns.

Local government sector education training authority grant

Current-year receipts	451 254	399 951
Conditions met - transferred to revenue	(451 254)	(399 951)
	-	-

Expanded public works programme grant

Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	-	-

The grant was received from the Department of Public Works for the creation of jobs in the municipal area and to incentivise provincial department to expand work creation efforts through the use of labour intensive delivery methods in identified focus area e.g road maintenance of building and other economic and social infrastructure.

The Energy Efficiency Demand Site Management Program (EEDSM) grant

Balance unspent at beginning of year	147 630	-
Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	-	(4 852 370)
	147 630	**147 630**

Conditions still to be met - remain liabilities (see note 17).

The EEDSM programme is managed by the Department of energy. The grant is for the planning and implementation of energy effecient technologies such as traffic signals, street and building lighting, as well as water service infrastructure.

32. Public contributions and donations

Public contributions and donations	-	2 282 308

	2020 R	2019 R

33. Employee related costs

The employee costs below are split between key management personnel and other employees as tabulated below:

Breakdown of employee costs	**2020**	**2019**
Key management personnel	7 938 996	5 960 857
Other employees	141 778 718	136 323 388
	149 717 714	**142 284 245**
Basic	78 841 192	76 147 972
Medical aid - company contributions	5 965 266	5 619 233
UIF	610 363	631 156
WCA	667 201	1 862 032
SDL	1 096 928	1 069 763
Other payroll levies	323 720	286 347
Short term benefit 2	37 456	35 593
Short term benefit 3	324 034	520 500
Defined contribution plans	15 225 581	14 448 556
Travel, motor car, accommodation, subsistence and other allowances	15 424 853	14 235 333
Overtime payments	5 388 515	4 602 345
Long-service awards	7 740 335	4 260 006
13th Cheques	6 311 879	5 984 263
Acting allowances	2 703 174	2 251 445
Housing benefits and allowances	591 215	593 896
Defined benefits and allowances	7 342 502	7 551 805
Stipends	1 123 500	2 184 000
	149 717 714	**142 284 245**

Remuneration of municipal manager - Moakamela MI

Annual Remuneration	650 248	631 970
Travel Allowance	417 342	406 536
Contributions to UIF, Medical and Pension Funds	176 613	10 229
Other benefits	90 434	68 401
Cellphone allowance	18 000	18 000
	1 352 637	**1 135 136**

Remuneration of chief finance officer - Mogano TJ

Annual Remuneration	548 957	521 868
Car Allowance	345 490	335 708
Contributions to UIF, Medical and Pension Funds	64 592	10 124
Other benefits	124 797	149 112
Cellphone allowance	24 000	24 000
	1 107 836	**1 040 812**

Remuneration of director planning and development services - Maluleke HP

Annual Remuneration	535 742	521 868
Car Allowance	345 490	335 708
Contributions to UIF, Medical and Pension Funds	154 283	25 541
Other benefits	77 642	86 058
Cellphone Allowance	24 000	24 000
	1 137 157	**993 175**

Notes to the Annual Financial Statements

	2020 R	2019 R

33. Employee related costs (continued)

Remuneration of director corporate services - Zungu H

Annual Remuneration	548 958	521 868
Car Allowance	345 490	335 708
Contributions to UIF, Medical and Pension Funds	102 089	9 095
Other befits	39 491	46 126
Cellphone allowance	24 000	24 000
	1 060 028	**936 797**

Remuneration of director technical services - Mdungazi

Annual Remuneration	497 840	403 303
Car Allowance	265 202	231 252
Contributions to UIF, Medical and Pension Funds	186 840	115 172
Other benefits	209 279	82 396
Cellphone allowance	24 000	22 000
Acting Allowance	-	52 296
	1 183 161	**906 419**

Remuneration of corporate department - F Nogilana-Raphela

Annual Remuneration	397 585	448 007
Car Allowance	173 160	217 053
Contributions to UIF, Medical and Pension Funds	176 537	134 561
Other benefits	233 218	57 091
Cellphone Allowance	18 000	24 000
Bonus	-	36 000
Bonus Taxable	-	31 802
	998 500	**948 514**

Director Corporate Services - Mokoena SS (Acting 01 April - 30 June 2020)

Annual Remuneration	454 790	-
Car Allowance	203 328	-
Contributions to UIF, Medical and Pension Funds	166 332	-
Cellphone allowance	24 444	-
Acting allowance	20 850	-
Other benefits	229 933	-
	1 099 677	**-**

Procurements and infrastructure (planning, transport and environmental affairs)

Finance and economics development

Chief of police

Risk assurance services

Notes to the Annual Financial Statements

	2020 R	2019 R

34. Remuneration of councillors

Executive Committee	5 815 612	5 166 709
Councillors	11 893 372	9 702 352
Other	34 183	147 551
	17 743 167	**15 016 612**

35. Depreciation and amortisation

Property, plant and equipment	50 444 105	73 624 810
Intangible assets	-	451 470
	50 444 105	**74 076 280**

36. Impairment of assets

Impairments		
Property, plant and equipment	17 730 474	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
Trade and other receivables	81 513 131	120 867 995
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
	99 243 605	**120 867 995**
	99 243 605	120 867 995
	-	-

Receivables were impaired following objective evidence of non-recovery using history and knowledge of the customers.

The impairments disclosed above consists of the following:

Impairment	**2020**	**2019**
Consumer debtors	58 174 647	37 492 271
Receivables from non exchange transactions	23 292 207	83 375 724
	81 466 854	**120 867 995**

37. Finance costs

Non-current borrowings	8 004 331	8 762 251
Finance leases	-	90 991
Late payment of suppliers	79 858	25 215
Discounting of provisions	7 364 740	6 156 171
	15 448 929	**15 034 628**

38. Bulk purchases

Electricity - Eskom	84 703 814	77 376 382

Included in the bulk electricity purchases is the 23.59% (2019: 21.3%) which relate to distribution losses. Ba-Phalaborwa Municipality is billed by the power utility, Eskom on a monthly basis for electricity used/or supplied to the municipality based on readings. COnsequently, the amount paid to Eskom includes electricity losses of R16 529 679.76 (2019: R16 516 508). The loss in terms of Units amounted to 18 140 121 (2019: 17 222 601 kWh)

Notes to the Annual Financial Statements

	2020 R	2019 R
39. Contracted services		
Presented previously		
Information Technology Services	11 701 768	10 466 663
Agency Services	467 355	552 554
Operating Leases	2 730 366	893 237
Actuarial and Accounting Services	6 828 222	8 324 076
Insurance	1 676 210	1 290 295
Outsourced Services		
Meter Management	1 466 686	(602 316)
Consultants and Professional Services		
Business and Advisory	1 572 217	571 826
Legal fees	7 268 116	4 978 275
Presented previously	23 403 921	21 526 825
Outsourced Services	1 466 686	(602 316)
Consultants and Professional Services	8 840 333	5 550 101
Contractors	-	-
	33 710 940	**26 474 610**

Notes to the Annual Financial Statements

	2020 R	2019 R
40. General expenses		
Accommodation	1 788 965	3 439 734
Advertising and marketing campaigns	1 455 171	1 793 493
Auditors remuneration	5 975 733	5 060 445
Bank charges	291 399	293 765
Cleaning	9 685	432 302
Commission paid	2 181 235	2 794 524
Consulting and professional fees	252 927	-
Consumables	8 423 996	2 467 214
Entertainment	53 261	553 624
Energy effeciency and demand side management	-	411
Bursaries	663 087	578 059
Hire of equipment	5 617 206	4 185 373
Internet and connectivity	87 463	70 922
IT expenses	157 815	145 009
Indigent support	2 859 348	1 753 472
Expanded Public Works Programme	1 329 048	1 000 060
Motor vehicle licence fees	(69 011)	200 253
Electricity non-bulk purchases	3 836 680	6 973 856
Occupational health and Safety	660 580	337 707
Fuel and oil	1 903 232	2 875 617
Placement fees	78 579	38 125
Postage and courier	516 473	738 094
Printing and stationery	565 318	1 850 984
Promotions	168 500	-
Protective clothing	1 129 220	1 171 594
Project maintenance costs	824 095	323 835
Repairs and maintenance	16 667 342	20 792 762
Public participation	2 189 548	2 208 406
Staff welfare	427 472	828 959
Subscriptions and membership fees	3 608 174	3 108 482
Telephone and fax	1 796 002	2 094 117
Training	1 600 624	1 616 475
Travel - local	2 156 108	2 773 900
Title deed search fees	10 359	218 342
Assets expensed	-	26 539
Utilities - Water	-	1 922 823
Pounding	351 450	390 340
Audit and risk committee remuneration	688 000	779 118
Financial management grant expenses	9 320 890	6 100 417
Landfill site restoration expenses	(7 631 863)	2 057 279
Strategic Sessions	328 799	764 830
Loud hailing	-	337 167
	72 272 910	**85 098 428**
41. Fair value adjustments		
Investment property (Fair value model)	-	58 707 343
Investment property - (Fair value model)	4 294 537	87 779
	4 294 537	**58 795 122**
42. Auditors' remuneration		
Fees	5 975 733	5 060 445

	2020 R	2019 R
43. Cash generated from operations		
Surplus	8 534 928	22 083 188
Adjustments for:		
Depreciation and amortisation	50 444 105	74 076 280
Gain on sale of assets and liabilities	-	36 554
Fair value adjustments	(4 294 537)	(58 795 122)
Finance costs - Finance leases	-	90 991
Impairment deficit	99 243 605	120 867 995
Movements in retirement benefit assets and liabilities	(5 494 103)	(3 899 000)
Movements in provisions	337 971	7 960 176
Donations received	-	(2 282 308)
Finance Costs Other	-	8 787 466
Inventory losses/write-downs	1 620 696	424 134
Other non-cash items	-	(3 312 013)
Changes in working capital:		
Inventories	677 031	(4 012 510)
Receivables from exchange transactions	(81 513 131)	-
Consumer debtors	(45 013 958)	(37 255 982)
Other receivables from non-exchange transactions	(54 840 727)	(82 549 743)
Payables from exchange transactions	62 949 009	42 226 065
VAT	18 173 262	3 875 346
Unspent conditional grants and receipts	10 814 325	2 902 565
Consumer deposits	98 693	116 175
	61 737 169	**91 340 257**

44. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At amortised cost	Total
Other receivables from non-exchange transactions	41 873 257	41 873 257
Consumer debtors	38 382 895	38 382 895
Cash and cash equivalents	54 874 705	54 874 705
	135 130 857	**135 130 857**

2019

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	32 759 414	32 759 414
Consumer debtors	37 388 455	37 388 455
Cash and cash equivalents	36 025 670	36 025 670
VAT Receivable	1 625 545	1 625 545
	107 799 084	**107 799 084**

Financial liabilities

Notes to the Annual Financial Statements

	2020 R	2019 R

44. Financial instruments disclosure (continued)

	At amortised cost	Total
Other financial liabilities	112 847 834	112 847 834
Trade and other payables from exchange transactions	329 259 277	329 259 277
Finance Lease	1 096 273	1 096 273
Consumer deposits	4 240 625	4 240 625
	447 444 009	**447 444 009**

Financial instruments in Statement of financial performance

2020

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	26 978 077	26 978 077
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(15 448 929)	(15 448 929)
Impairment loss	(81 513 131)	(81 513 131)
	(69 983 983)	**(69 983 983)**

2019

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	23 103 037	23 103 037
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(15 034 628)	(15 034 628)
Impairment loss	(120 867 995)	(120 867 995)
	(112 799 586)	**(112 799 586)**

Notes to the Annual Financial Statements

	2020 R	2019 R

45. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	40 592 707	59 465 394
Total capital commitments		
Already contracted for but not provided for	40 592 707	-

Authorised operational expenditure

Already contracted for but not provided for		
• Operational Expenditure	24 321 801	29 552 553
Orders already issued		
• Operational Expenditure - Purchase Order	1 355 617	3 352 415
Total operational commitments		
Already contracted for but not provided for	24 321 801	-
Not yet contracted for and authorised by accounting officer	1 355 617	-
	25 677 418	**-**

Reconciliation of total commitments

Total operational commitments		
Already contracted for but not provided for	24 321 801	29 450 330
Not yet contracted for and authorised by accounting officer	1 355 617	3 352 415
	25 677 418	**32 802 745**

	2019
Total Commitments	
Authorised capital expenditure	59 465 394
Authorised operational expenditure	32 802 745
	92 268 139

Total commitments		
Authorised capital expenditure	40 592 707	-
Authorised operational expenditure	25 677 418	-
	66 270 125	**-**

This committed expenditure relates to various projects and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

	2020 R	2019 R
46. Contingencies		
Litigation is in the process against the municipality relating to various disputes detailed below;		
Makwande Chartered Accountants and Business Advisors [1]	-	2 734 105
Tlhoala Dynamic (Pty) Ltd [2]	3 039 811	3 039 811
LE Thom [3]	1 294 797	1 294 797
Thaki William Mojapelo and Masako Mary Mojapelo [4]	16 046 000	16 046 000
Tippuprox (Pty) Ltd [5]	5 528 500	5 528 500
Millioniers Club CC [6]	1 650 000	1 650 000
Malatji Khensani Eulender [7]	1 200 000	1 200 000
Thaki William Mojapelo and Masako Mary Mojapelo [8]	-	300 000
Kgopotso Lekgothwane [9]	2 600 000	2 600 000
Christoffel Smith [10]	112 758	89 115
Lwazi Engineering [11]	1 259 715	1 259 715
Juxtapose (Pty) Ltd [12]	3 690 587	3 690 587
M L Nkosi Electrical Contractors cc and Soma Construction cc [13]	1 929 975	1 929 975
R Shai [14]	120 000	184 702
Ba-Phalaborwa Municipality [15]	800 000	650 000
Sebatane Daniel Mohlatlole [16]	-	189 300
Frans Johannes Meintjies N O and others [17]	300 000	800 000
Morare Freddy Masekwameng SMAWU obo Mkansi and others [18]	-	224 000
Thamsanqa Vernon Mdluli [19]	-	140 000
Imatu obo Venter [20]	-	108 976
TT Thete [21]	100 000	-
SAMRO NPC [22]	793 829	-
	40 465 972	**43 659 583**

Litigation is in the process against the municipality relating to various disputes below:

1. Makwande Chartered Accountants

The matter relates to the preparation of annual financial statements for the year ended 30 June 2009. The claimant failed to perform the deliverables and the contract was subsequently terminated. The claimant is now claiming unpaid fees debt amountng to R2 734 105 including estimated legal fees. The management and lawyers representing the municipality consider the likelihood of an action against the municipality being successful as unlikely. The R2 734 105 represents the total possible liability by the municipality, according to the legal advisors. Makwande Chartered Accountants requested the court to ammend their claim. The municipality opposed the ammendment based on the fact contract entered into by the municipality can only be in writing. The court ruled in favour of the municipality.

2. Tlhoala Dynamic (Pty) Ltd.

The abovementioned entity was contracted by the municipality to compile and maintain the valuation roll. They are claiming they wew underpaid by R2 689 811 and are, therefore, suing for the shortfall. Included in the amount above is the estimated legal costs resulting in a total contingent liability of R3 039 811. The municipality's lawyers are unable to ascertain the likelihood of the action against the municipality being successful and court process is ongoing. The municipality also has a counter claim against the claimant over monies overpaid to it. The matter is set for 06 November 2020.

3. LE Thom

LE Thom cites that they could not perform certain contractual obligations after being prevented from doing so by the municipality. The municipality on the other hand, claims failure to perform was not caused by the municipality. The claim including estimated legal costs amounts to R1 294 797. The lawyers of the municipality are unable to ascertain the likelihood of action against the municipality being successful. The matter was postponed by the plaintiff in order to ammend their claim.

4. Thaki William Mojapelo and Masako Mary Mojapelo

Notes to the Annual Financial Statements

	2020 R	2019 R

46. Contingencies (continued)

The plaintiffs bought erven 26, 27 and 28 in the industrial area and they allege that the municplaity failed to transfer the properties in their names. As such, they are seeking cancellation of the sale agreement and refund of the purchase price which is alleged to be R46 250 with interest or the transfer of the properties and payment of R15.5 million in damages for loss of business. The legal advisors estimate that the possible cost including legal fees to be R16 046 520. The lawyers of the municipality are unable to ascertain the likelihood of action against the municipality being successful.

5. Tippuprox (Pty) Ltd

The company is suing the municipality for a tender they were previously awarded only to be cancelled following uncovering of misrepresentations made during the bidding process by the director of the company. The company raised a claim against the municipality which the legal advisors estimated including legal fees to be R5 528 500. The lawyers of the municipality are unable to ascertain the likelihood of action against the municipality being successful. The matter erroneously placed on unoppsed court roll. The municipality also has a counter claim amounting to R650 000 in this case. The matter is set down for 8th February 2021.

6. Millionaires Club CC

The claim arose due to a contractual dispute between the plaintiff and the municipality over unpaid invoices. The municipality cites that these are invalid while the plaintiff believes they have a valid claim. The municipality has since also issued summons against its former employees, i.e erstwhile Municipal Manager, Directors Technical Services and Project Management UNit Manager. The claim is estimated by legal counsel to be R1 650 000 including estimated legal fees. The lawyers of the municipality are unable to ascertain the likelihood of action against the municipality being successful. The municipality also has a counter claim amounting to R776 262 in this case.

7. Malatji Khensani Eulender

Malatji Khensani Eulender is suing the municipality for damages following bodily injuries suffered by her child when a water tank fell on her while extracting water. She argues that the municipality had erected poor quality tank stand which could not fully support the weight of the water tank. The legal advisors confirmed the total possible liability to be R1.2 million. The lawyers of the municipality are uncertain the likelihood of action against the municipality being successful. The matter is currently on trial and has been postponed to a later.

8. Thaki William Mojapelo and Masako Mary Mojapelo 2

The plaintiffs is requesting the court to nullify the approval of sale of erf 3644 between the estate of the late Jackson Mogudi and Chimakala Group by the municipality citing that they owned erf in dispute. The municipality approved because the records at the deeds office confirms that the erf is owned by the estate of the late Mogudi and not plaintiffs. The legal advisors confirmed the total possible liability to be R300 000. The municipality's legal advisors and management consider the likelihood of the action against the municipality being successful as unlikely.

9. Kgopotso Lekgothwane

Summons against the municipality amounting to R2.6 million for an alleged gross negligence by the municipality to barricade a ditch which had been dug up by municipal workers, resulting in the plaintiff falling in it and subsequently resulting in serious injuries suffered by the plaintiff. The legal advisors confirmed that thee total possible liability including legal costs to be R2.6 million. The parties to the dispute are currently exhanging pleadings.

10. Christoffel Smith

Christoffel Smith issued summons amounting to R14 115 for alleged damages caused to his vehicle by a pothole allegedly on a municipal road. The legal advisors confirmed the total possible liability to be R89 115 including legal fees. Parties to the dispute are currently exchanging pleadings.

11. Lwazi Engineering

	2020 R	2019 R

46. Contingencies (continued)

Lwazi Engineering is demanding payment amounting to R1 009 715, being the amount allegedly due and payable to them for the worked performed during the upgrading of Tambo Street project at Namakgale. While Tshiamiso 135 demands payment of R1 168 669 for work they allege that they did the work based on specifications which had been made by the municipality's engineers being Lwazi engineering, which turned out to be incorrect. The municipality then paid Lwazi Engineering only R1 009 715 with the balance being their liability for Tshiamiso 135. The legal advisors confirmed the total possible liability to be R1 259 715. The municipality's lawyers and management consider the likelihood of action against the municipality being successful as unlikely. The plaintiff has indicated that they want to withdraw the matter against the municipality and that each party pays its cost. The matter is awaiting a formal notice of withdrawal.

12. Juxtapose (Pty) Ltd

Juxtapose (Pty) Ltd was engaged by the municipality to perform design work for the extension of municipal offices for an amount of R1 766 988. Juxtapose (Pty) Ltd allege that they did the work of which R768 642 is outstanding and further that they were orrally requested to do further work which amounted to R2 471 945. The total amount being claimed is R3 240 587. The legal advisors confirmed that the total possible liability to be R3 690 587. The municipality's lawyers and management consider the likelihood of action against the municpality being successful as unlikely as the entity is under liquidation. The process will continue once the liquidator is appointed.

13. ML Nkosi Electricity Contractors cc and Soma Construction cc

ML Nkosi Electrical Contractors cc and Soma COnstruction cc demand payment from the Ba-Phalaborwa Municipality amounting to R1 579 974.73 for work done. The abovementioned plaintiffs submitted a bid amounting to R19 541 461.41 but were awarded the contract amounting to R18 541 461.41. The municipality entered into an agreement with these service providers to make ammendments to the contract amount, the scope of works as well as the duration of the contract within four months of entering to the contract. The municipality's lawyers and management management consider the likelihood of the action against the municipality being sucessful as unlikely. Parties to the dispute are currently exchanging pleadings.

14. R Shai

The municipality was granted a demolition order against R Shair for contravening Municipal Bulding Regulations By Laws when she built a house without approved building plans. R Shai is attempting to have the order overturned. The municipality's lawyers and managementr consider the likelihood of the action against the municipality being successful as unlikely. The estimated legal costs are R120 000.

15. Ba-Phalaborwa

This matter relates to the ransfer of properties sold to various residents at Namakgale and registration of owners to obtain deeds of grants at Lulekani. Transfers at Namakgale have been concluded, with Lulekani still outstanding. The estimated legal costs are R800 000.

16. Sebatane Daniel Mohlatlole

Sebatane Daniel Mohlatlole claims an mount of R69 299.69 against the municipality for alleged damages to his furniture caused by water flowing from the street into his house. He alleges that the municipality failed to maintain its drainage system while he also built a parameter wall that blocks easy flow of water from his property. The estimated legal costs amounts to R120 000.

17. Frans Johannes Meintjies NO and others

Frans Johannes Meintjies NO and others have applied to the high court to get the categorization of their farms in terms of Municipal Property Rates Act and Policy as reflected in the Council Resolution for the 2015/6, 2016/17 and 2017/18 financial years declared invalid, declaring the applicable law invalid and seek costs orders against the municipality. The estimated legal costs are R300 000. The matter is being opposed.

18. SAMWU obo Mkansi and others

This relates to employment issues where the complainants are suing the municipality citing unfiar labour practices. The legal advisors confirmed the total liability to be R224 000. The matter is being defended.

	2020 R	2019 R

46. Contingencies (continued)

19. Thamsanqa Vernon Mdluli

Referral to the Bargaining Council for alleged unfair dismissal. Employee was dismissed for allegations of various acts of misconduct. He is challenging the fairness of the dismissal. The estimated legal costs are R140 000.

20. Imatu obo Venter

Referral to the Bargaining Council for alleged unfair discrimination against the employee on the basis that she was not shortlisted for a position she had applied for. The matter was dismissed and currently on review.

21. TT Thete

Mr TT Thete has interdicted the municipality from disconnecting electricity supply to his properties while he does not pay for the same services. Legal costs amounts to R100 000. 00

22. SAMRO NPC

South African Music Rights Organisation NPC is suing the municipality an amount of R593 828.78 for letting people play music in its various venues per signed contract. The municipality cannot afford same as it did not generate same.

Molau Devyton Malatji issued summons against the municiplaity amounitng to R 10 million for alleged illegal termination of the brickyard lease agreement. Molau Devyton Malatji brought the mattere back to court because the matter had previously been dismissed and struck off the court roll on the basis of his absence from court. The legal advisors confirmed the total possible liability to be R10 300 000. The municipality's lawyers and management consider the likelihood of the action against the municpality being successful as unlikely.

Contingent assets

	2020	2019
Ziyaphenduka Promotions CC [1]	-	600 000
Geldenhys estate [2]	200 000	222 000
Mavambo ITS [3]	3 559 810	3 059 810
Mbiyani Florence Chauke [4]	80 000	-
Khavi Mabaso [5]	80 000	-
PP Marais [6]	80 000	-
Doctor Nkuna [7]	80 000	-
Doctor Nkuna 2 [8]	180 000	-
	4 259 810	**3 881 810**

1. Ziyaphenduka Promotions CC

The municipality is suing the abovementioned party and the summons were issued to enforce them to account for all monies collected during the Marula Festival. The municipality obtained an order wherein the abovementioned party was ordered to furnish the municipality with all accounts to enable the municipality to claim its 20% of the proceeds generated plus the remaining R600 000. Ziyaphenduka failed to honour the court order and the municipality has applied for a contempt of court order.

2. Geldenhys' estate

The matter relates to the acqusition of two properties of the late GJ Geldenhys namely, erf 141, 142, 241 and 242 Leydsdorp with a total value of R222 000 to be transferred to Ba-Pahalaborwa local municipality owing to the fact that the deceased was insolvent at point of death and that he owed the municipality rates and taxes which amount far exceeds the comined value of the properties in question using the orignially agreed terms despite the changes which were subsequently agreed upon. Application for the transfer in question has been lodged.

	2020 R	2019 R

46. Contingencies (continued)

3. Mavambo ITS

The municipality is suing Mavambo ITS to repay the municipality R3 059 810 as a resulting of overpayments made by the municipality. The municipality argues that Mavambo ITS continued to bill the municipality using the initially agreed terms despite the changes which were subsequently agreed upon. Mavambo ITS, on the other hand, disputes this allegation and believe that the municipality owes them R177 130. Summons has been issued against Mavambo ITS.

4. Mbiyani Florence Chauke.

The former employee negligently infringed Greater Kruger Tourism cc's copyright resulting in the municipality having to pay R200 000 in settlement fees. Summons have been issued against the former employee to recover the settlement fees paid by the municipality.

5. Khavi Mabaso

The defendant erected a structure on municipal servitude. The estimated legal cost amounts to R80 000. Application is still to be lodged.

6. P P Marais

The defendant has invadaed a farm belonging to the municipality. The estimated legal cost amounts to R80 000. Application is still to be lodged.

7. Mr. Doctor Nkuna

the time he was refunded, he already had a title deed. The municipality is applying to court to get the ownership revert to it. The defendant was erroneously sold an erf zone for religious purpose. He was refunded. However, by . Application is still to be lodged.

8. Mr. Doctor Nkuna

On or about 2000, the Ba-Phalaborwa municipality undertook to get Mr Mojapelo a tittle deed for erf 3644 after the sale between him and the late Mr. Mogudi. The municipality did not transfer until the same erf was later sold to Charmakala Group. The Office of the Public Protector opted the municipality gets Mr. Mojapelo the tittle deed as originally intended. The municipality requested the court to nullify the sale of erf 3644 between the estate of the late Jackson MOgodu and Charmakala Group.

	2020 R	2019 R

47. Related parties

Relationships

Accounting Officer	Moakamela MI
Other members of key management	T J Mogano - Chief Financial Officer
	H Zungu - Director Community Services
	S S Mokoena - Acting Director Corporate Services
	S Muhumani - Acting Director Technical Services
	H P Maluleke - Director Planning and Development
Mayor	Cllr. M M Malatji
Speaker	Cllr. E Hlungwani
Chief Whip	Cllr. D Rapatsa
Executive committee members	Cllr. S L Mohlala
	Cllr. T Nkuna
	Cllr. MS Magomane
	Cllr. S R de Beer
	Cllr. M M Malesa
	Cllr. SP Mashumu
	Cllr. K O Pilusa - MPAC Chairperson
	Cllr. R Makasela
	Cllr. K A Peta
	Cllr. K P Mhlarhi
	Cllr. S T Mkanzi
	Cllr. B Ramothwala
	Cllr. N J Mampuru
	Cllr. M E Mokgalaka
	Cllr. Z Ndlovu
	Cllr. E A Mokoena
	Cllr. P K Mashego
	Cllr. L M Matlala
	Cllr. T C Malatjie
	Cllr. P S Dikgale
	Cllr. T S Ndlovu
	Cllr. G H Lamola
	Cllr. A Ngobeni
	Cllr. M R S Williamson
	Cllr. S M Shayi
	Cllr. D R Bayana
	Cllr. M M A Mathebula
	Cllr. R J Mphogo
	Cllr. N B Maake
	Cllr. M J Valoyi
	Cllr. S K Shai
	Cllr. A N Mmola
	Cllr. V M Rapatsa
District municipality [1]	Mopani District Municipality

[1] The municipality has an agency relationship with Mopani District Municipality. Under this agreement the municipality carries out water service functions as a Water Services Provider (WSP) to the residents for and on behalf of Mopani District Municipality as the Water Services Authority. The Municipality receives agency fees for these services in terms of the agency agreement.

Related party balances

Loan accounts - Owing (to) by related parties		
Mopani District Municipality	(290 068 943)	(256 673 491)

Notes to the Annual Financial Statements

	2020 R	2019 R

47. Related parties (continued)

Related party transactions

Agency fees received from related parties		
Mopani District Municipality	3 771 211	3 505 378

48. Prior-year adjustments

During the year, the municipality discovered material errors that effect previous financial years. All the errors were errors were corrected retrospectively. Consequently, presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Errors details and the effect on surplus/deficit	2019	Accumulated Surplus (inc)/dec	Total
Adjustment of land owned by the municipality as verified through land audit	-	(102 658 983)	(102 658 893)
Reversal of land from investment property to land inventory	123 158 000	-	123 158 000
Reassessment of useful lives of other property, plant and equipment	19 381 701	(19 381 701)	-
Reassessment of useful lives of infrastructure assets	-	22 525 807	-
	142 539 701	**(99 514 877)**	**20 499 107**

The impact of corrections of these errors as well as reclassifications on the Statement of Financial Performance and Statement of Financial Porsition are as follows:

Statement of financial position

2020

	Note	As previously reported	Correction of error
Inventories		252 543 366	(102 658 983)
Investment properties		338 226 571	(123 158 000)
Property plant and equipment		812 906 017	22 525 807
		1 403 675 954	**(203 291 176)**

Statement of financial performance

49. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Notes to the Annual Financial Statements

	2020 R	2019 R

49. Risk management (continued)

Credit risk

Credit risk is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur financial losses.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Consumer debtors comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is reviewed by the CFO annually and authorised by the executive mayoral committee.

The maximum credit Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2020	2019
Receivables from non-exchange transactions	73 683 312	32 759 414
Consumer debtors	62 356 898	37 388 455
Cash and cash equivalents	54 987 291	36 025 670

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Cash flow interest rate risk

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk.

The municipality does not have any financial instruments that are affected by price risk.

50. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus (deficit) of R 807 169 104 and that the municipality's total assets exceed its liabilities by R 845 241 546.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Despite the impact of Covid-19, which affected the municipality's operations since March when the state of national disaster was declared, the municipality is able to continue operating as a going concern. It is worth noting that the ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality through government grants and subsidies as well as revenue from exchange and non exchange transactions.

Notes to the Annual Financial Statements

	2020 R	2019 R

51. Events after the reporting date

There are no material adjusting events after the reporting date.

52. Unauthorised expenditure

Opening balance as previously reported	420 832 213	321 172 617
Opening balance as restated	**420 832 213**	**321 172 617**
Add: Expenditure identified - current	12 893 762	99 659 596
Closing balance	**433 725 975**	**420 832 213**

The unauthorised expenditure for the year was due to overspending of the municipal budget. The overspending was experienced in non cash items of finance costs, impairment adjustments and depreciation of property, plant and equipment.

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	12 893 762	99 659 596

Analysed as follows: non-cash

Depreciation and amortisation	(40 991 120)	2 443 096
Finance charges	14 873 620	14 489 828
Provision of impairment	37 371 428	82 265 984
Biological assets	19 138	36 554
Inventories losses/write downs	1 620 696	424 134
	12 893 762	**99 659 596**

Unauthorised expenditure: Budget overspending – per municipal department:

Finance	12 893 762	99 659 596

53. Fruitless and wasteful expenditure

Opening balance as previously reported	14 065 858	14 021 227
Opening balance as restated	**14 065 858**	**14 021 227**
Add: Expenditure identified - current	422 519	44 631
Closing balance	**14 488 377**	**14 065 858**

Notes to the Annual Financial Statements

	2020 R	2019 R

53. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

Disciplinary steps taken/criminal proceedings		
Interest - Eskom	56 537	-
Interest - SARS (PAYE, SDL, VAT)	-	5 377
Interest - Telkom	3 254	7 479
Interest - Auditor General South Africa	19 701	31 775
Interest charged - Sebata EMS	343 027	-
	422 519	**44 631**

54. Irregular expenditure

Opening balance as previously reported	252 663 054	217 158 517
Opening balance as restated	**252 663 054**	**217 158 517**
Add: Irregular Expenditure - current	15 138 170	35 504 537
Closing balance	**267 801 224**	**252 663 054**

		2020 R	2019 R
54. Irregular expenditure (continued)			
Incidents/cases identified in the current year include those listed below:			
	Disciplinary steps taken/criminal proceedings		
Tenders where adviertisement was less than minimum required timeframe	[1]	-	2 212 987
Awards without valid B-BBEE certificates	[1]	-	363 671
Construction contracts not advertised on CIDB website	[1]	-	569 457
Bids awarded to bidders without a valid tax clearance certificate	[1]	-	2 553 538
Various operational procurement made without following proper supply chain procedures	[2]	11 739 650	21 232 440
Values applicable to each evaluation criteria not clearly indicated in the invitation to submit tender	[1]	3 382 429	856 936
Proof of B-BBEE of a subcontractor not attached	[1]	-	3 132 233
Provision of services on expired contract	[1]	16 091	4 524 624
		15 138 170	**35 445 886**

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 706 829	1 374 270
Amount paid - current year	(1 706 829)	(1 374 270)
	-	-

Medical Aid Deductions

Current year subscription / fee	11 686 574	12 413 013
Amount paid - current year	(11 686 574)	(12 413 013)
	-	-

Notes to the Annual Financial Statements

	2020 R	2019 R

55. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Opening balance	-	47 271
Current year subscription / fee	5 973 291	5 833 718
Amount paid - current year	(5 973 291)	(5 880 989)
	-	-

PAYE and UIF

Current year subscription / fee	22 928 649	23 753 227
Amount paid - current year	(22 928 649)	(23 753 227)
	-	-

Pension Deductions

Current year subscription / fee	24 467 591	24 310 854
Amount paid - current year	(24 467 591)	(24 310 854)
	-	-

VAT

VAT receivable	(26 547 717)	265 782 727
VAT payable	-	264 157 182
	(26 547 717)	**529 939 909**

VAT output payables and VAT input receivables are shown in note.

All VAT returns have been submitted by the due date throughout the year.

	2020 R	2019 R

55. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. M M Malatji	576	-	576
Cllr. N C Mohlala	643	-	643
Cllr. M M Malesa	155	-	155
Cllr. T Nkuna	117	-	117
Cllr. M S Magomane	226	-	226
Cllr. N J Mampuru	1 609	-	1 609
Cllr. S T Mkanzi	703	-	703
Cllr. V M Rapatsa	2 942	-	2 942
Cllr. S M Shayi	2 154	-	2 154
Cllr. J M Williamson	2 020	-	2 020
Cllr. K P Mhlarhi	117	-	117
Cllr. A Ngobeni	351	-	351
Cllr. N A Sono	1 100	-	1 100
Cllr. R J Mphogo	998	-	998
Cllr. B Ramothwala	1 198	-	1 198
Cllr. G H Lamola	447	-	447
	15 356	**-**	**15 356**

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. M M Malatji	2 676	-	2 676
Cllr. S L Mohlala	827	-	827
Cllr. M S Magomane	363	-	363
Cllr N J Mampuru	754	-	754
Cllr. S T Mkansi	732	-	732
Cllr. K A Peta	985	-	985
Cllr. J A Williamson	2 068	-	2 068
Cllr. K P Mhlarhi	111	-	111
Cllr E A Mokoena-Mashele	1 957	2 161	4 118
Cllr P S Dikgale	245	-	245
Cllr A Ngobeni	520	-	520
Cllr. N A Sono	1 216	-	1 216
Cllr. R J Mphogo	976	-	976
Cllr B Ramothwala	864	-	864
Cllr G H Lamola	581	-	581
Cllr PJ Shayi	367	-	367
	15 242	**2 161**	**17 403**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2019	Highest outstanding amount	Aging (in days)
Cllr. E A Mokoena-Mashele	2 161	90

Notes to the Annual Financial Statements

	2020 R	2019 R

56. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Several goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Description	Reason for deviation	Supplier	Amount
Windows based traffic contravention system including IT equipment	Request for quotation was published on the municipal website and only one company responded. Could not obtain a minimum of three quotations. The appointment was made to obtain interruption of service.	Total Computer Services (PTY) LTD	177 752
Eviction services around Ba-Phalaborwa for all invaded parks and open spaces in Namakgale	Request for quotation was advertised on the municipal website and only one quote was received. Non implementation of the court order would have resulted in fruitless and wasteful expenditure being incurred by the Municipality	The A Team Task Force	160 000
Hiring of refuse compactor truck	The municipality could not advertise the RFQ on the municipal website and obtain the minimum of three quotations because the service is rendered by a sole provider.	Todipjane Transport and Trading	194 166
Repair of vehicle allocated to the Mayor	The municipality could not advertise the RFQ on the municipal website and obtain the minimum of three quotations because the service is rendered by a sole provider.	Mercurius Motors	118 471
Refuse Compactor Truck including Diesel for removal of waste in Ba-Phalaborwa	The municipal refuse compactor truck had a mechanical breakdown and as a matter of urgency, a refse truck was required to remove refuse in the Ba-Phalaborwa area to avoid disruption of basic services and the resultant environmental and health hazzards.	Mampudidi Property and Development	83 500

Notes to the Annual Financial Statements

			2020 R	2019 R
56. Deviation from supply chain management regulations (continued)				
Annual renewal of Municipal Box and Private Bag Mail	The municipality could not advertise the RFQ on the municipal website and obtain the minimum of three quotations because the service is rendered by a sole provider.	SAPO (South African Post Office)		2 260
Repair of Vehicle allocated to the Mayor	The municipality could not advertise the RFQ on the municipal website and obtain the minimum of three quotations because the service is rendered by a sole provider.	Mercurius Motors		98 227
Disinfection for Covid-19 at revenue cashiers' point and Licencing Cashiers' point	Emergency procurement due to COVID-19. The service was not advertised on the municipal website and the stipulated three quotations could not be obtained due to the emergency nature of the service.	Bushveld Pest Control		4 276
Gazetting of the Tariff Book and Property Rates By-Laws for the 2020/21 Financial year	The municipality could not advertise the RFQ on the municipal website and obtain the minimum of three quotations because the service is rendered by a sole provider.	Government Printing Works		66 579
Publication of Notice for supplementary valuation	The municipality could not advertise the RFQ on the municipal website and obtain the minimum of three quotations because the service is rendered by a sole provider.	Government Printing Works		254 211
				1 159 442

57. Budget differences

Material differences between budget and actual amounts

1. Serivce Charges

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

2. Rental of facilities and equipment

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

3. Agency fees

Notes to the Annual Financial Statements

	2020 R	2019 R

57. Budget differences (continued)

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

4. Licences and permits

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

5. Other income

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

6. Interest received - investment

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

7. Property rates

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

8. Government grants and subsidies

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

9. Penalties and fines

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

10. Personnel

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

11. Remuneration of Councillors

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

12. Depreciation and amortisation

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

Notes to the Annual Financial Statements

	2020 R	2019 R

57. Budget differences (continued)

13. Finance costs

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

14. Impairment loss/Reversal of impairments

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

15. Bulk purchases

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

16. Contracted services

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

17. Gneral expenses

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

18. Loss on disposal of assets and liabilities

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

19. Fair value adjustments

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

20. Actuarial gains

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

21. Inventories loses/write-downs

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

22. Public contributions and donations

	2020 R	2019 R

57. Budget differences (continued)

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

23. Other transfer revenue

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

Ba-Phalaborwa Local Municipality
Appendix A

Schedule of external loans as at 30 June 2020

Loan Number	Redeemable	Balance at 30 June 2019	Received during the period	Redeemed written off during the period	Balance at 30 June 2020	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
Loan Stock		-	-	-	-	-	-
Structured loans							
Lepelle Northern Water		112 847 834	-	39 595 669	73 252 165	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		112 847 834	**-**	**39 595 669**	**73 252 165**	**-**	**-**
Funding facility		-	-	-	-	-	-
Development Bank of South Africa		-	-	-	-	-	-
Bonds		-	-	-	-	-	-
Other loans		-	-	-	-	-	-
Lease liability		-	-	-	-	-	-
Annuity loans		-	-	-	-	-	-
Government loans		-	-	-	-	-	-
Total external loans							
Loan Stock		-	-	-	-	-	-
Structured loans		112 847 834	-	39 595 669	73 252 165	-	-
Funding facility		-	-	-	-	-	-
Development Bank of South Africa		-	-	-	-	-	-
Bonds		-	-	-	-	-	-
Other loans		-	-	-	-	-	-
Lease liability		-	-	-	-	-	-
Annuity loans		-	-	-	-	-	-

Ba-Phalaborwa Local Municipality
Appendix A

Schedule of external loans as at 30 June 2020

	Loan Number	Redeemable	Balance at 30 June 2019	Received during the period	Redeemed written off during the period	Balance at 30 June 2020	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			Rand	Rand	Rand	Rand	Rand	Rand
Government loans			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			112 847 834	-	39 595 669	73 252 165	-	-

Ba-Phalaborwa Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2020

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	327 029 276	1 288 003	-	-	-	-	328 317 279	(227 409 753)	-	-	(12 002 892)	-	(239 412 645)	88 904 634
	327 029 276	**1 288 003**	**-**	**-**	**-**	**-**	**328 317 279**	**(227 409 753)**	**-**	**-**	**(12 002 892)**	**-**	**(239 412 645)**	**88 904 634**
Infrastructure														
Road Network	661 478 697	-	-	-	-	-	661 478 697	(378 099 495)	-	-	(17 486 271)	-	(395 585 766)	265 892 931
Storm water network	26 956 491	-	-	-	-	-	26 956 491	(8 922 717)	-	-	(198 731)	-	(9 121 448)	17 835 043
Bridges	15 215 045	-	-	-	-	-	15 215 045	(3 718 846)	-	-	(46 486)	-	(3 765 332)	11 449 713
Transmission & Electricity network	195 891 082	-	-	-	-	-	195 891 082	(101 745 091)	-	-	(3 993 517)	-	(105 738 608)	90 152 474
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	899 541 315	**-**	**-**	**-**	**-**	**-**	**899 541 315**	**(492 486 149)**	**-**	**-**	**(21 725 005)**	**-**	**(514 211 154)**	**385 330 161**
Community Assets														
Buildings	295 187 237	-	-	-	-	-	295 187 237	(192 055 761)	-	-	(9 839 575)	-	(201 895 336)	93 291 901
Carports	4 048 962	-	-	-	-	-	4 048 962	(1 014 463)	-	-	(134 965)	-	(1 149 428)	2 899 534
Guard rooms	78 421	-	-	-	-	-	78 421	(5 443)	-	-	(2 614)	-	(8 057)	70 364
Other facilities	2 967 883	-	-	-	-	-	2 967 883	(1 807 535)	-	-	(133 730)	-	(1 941 265)	1 026 618
Pavings	9 668 751	-	-	-	-	-	9 668 751	(3 670 519)	-	-	(483 438)	-	(4 153 957)	5 514 794
Perimeter fencing	5 917 079	-	-	-	-	-	5 917 079	(2 479 986)	-	-	(236 683)	-	(2 716 669)	3 200 410
Signs	36 431	-	-	-	-	-	36 431	(12 391)	-	-	(2 429)	-	(14 820)	21 611
Stadium with separated buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Streetlights	809 488	-	-	-	-	-	809 488	(482 325)	-	-	(20 237)	-	(502 562)	306 926
Landfill sites	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety and emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	318 714 252	**-**	**-**	**-**	**-**	**-**	**318 714 252**	**(201 528 423)**	**-**	**-**	**(10 853 671)**	**-**	**(212 382 094)**	**106 332 158**

Ba-Phalaborwa Local Municipality
Ba-Phalaborwa Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2020

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Historical mouments	317 000	-	-	-	-	-	317 000	-	-	-	-	-	-	317 000
	317 000	-	-	-	-	-	317 000	-	-	-	-	-	-	317 000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	26 774 943	554 000	(2 655 792)	-	-	-	24 673 151	(6 956 969)	2 544 473	-	(8 662 603)	(168 945)	(13 244 044)	11 429 107
Plant & equipment	5 856 922	601 297	(1 547 511)	-	-	-	4 910 708	(2 117 265)	1 157 670	-	(1 207 810)	(10 661)	(2 178 066)	2 732 642
Computer Equipment	4 455 606	282 193	(1 467 781)	-	-	-	3 270 018	(1 461 684)	960 747	-	(1 106 250)	(106 722)	(1 713 909)	1 556 109
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	13 888 569	122 050	(3 564 347)	-	-	-	10 446 272	(5 579 958)	2 496 964	-	(3 100 567)	(28 226)	(6 211 787)	4 234 485
Office Equipment	1 086 922	165 882	(327 887)	-	-	-	924 917	(287 854)	86 178	-	(126 314)	(297)	(328 287)	596 630
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	52 062 962	1 725 422	(9 563 318)	-	-	-	44 225 066	(16 403 730)	7 246 032	-	(14 203 544)	(314 851)	(23 676 093)	20 548 973

Ba-Phalaborwa Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2020

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	327 029 276	1 288 003	-	-	-	-	328 317 279	(227 409 753)	-	-	(12 002 892)	-	(239 412 645)	88 904 634
Infrastructure	899 541 315	-	-	-	-	-	899 541 315	(492 486 149)	-	-	(21 725 005)	-	(514 211 154)	385 330 161
Community Assets	318 714 252	-	-	-	-	-	318 714 252	(201 528 423)	-	-	(10 853 671)	-	(212 382 094)	106 332 158
Heritage assets	317 000	-	-	-	-	-	317 000	-	-	-	-	-	-	317 000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	52 062 962	1 725 422	(9 563 318)	-	-	-	44 225 066	(16 403 730)	7 246 032	-	(14 203 544)	(314 851)	(23 676 093)	20 548 973
	1 597 664 805	3 013 425	(9 563 318)	-	-	-	1 591 114 912	(937 828 055)	7 246 032	-	(58 785 112)	(314 851)	(989 681 986)	601 432 926
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	155 749	-	-	-	-	(19 892)	135 857	-	-	-	-	-	-	135 857
	155 749	-	-	-	-	(19 892)	135 857	-	-	-	-	-	-	135 857
Intangible assets														
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	327 029 276	1 288 003	-	-	-	-	328 317 279	(227 409 753)	-	-	(12 002 892)	-	(239 412 645)	88 904 634
Infrastructure	899 541 315	-	-	-	-	-	899 541 315	(492 486 149)	-	-	(21 725 005)	-	(514 211 154)	385 330 161
Community Assets	318 714 252	-	-	-	-	-	318 714 252	(201 528 423)	-	-	(10 853 671)	-	(212 382 094)	106 332 158
Heritage assets	317 000	-	-	-	-	-	317 000	-	-	-	-	-	-	317 000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	52 062 962	1 725 422	(9 563 318)	-	-	-	44 225 066	(16 403 730)	7 246 032	-	(14 203 544)	(314 851)	(23 676 093)	20 548 973
Agricultural/Biological assets	155 749	-	-	-	-	(19 892)	135 857	-	-	-	-	-	-	135 857
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1 597 820 554	3 013 425	(9 563 318)	-	-	(19 892)	1 591 250 769	(937 828 055)	7 246 032	-	(58 785 112)	(314 851)	(989 681 986)	601 568 783

Analysis of property, plant and equipment as at 30 June 2019

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	108 546 484	-	-	(28 530 192)	-	-	80 016 292	-	-	-	-	-	-	80 016 292
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	327 029 276	-	-	-	-	-	327 029 276	(215 406 860)	-	-	(12 002 892)	-	(227 409 752)	99 619 524
	435 575 760	**-**	**-**	**(28 530 192)**	**-**	**-**	**407 045 568**	**(215 406 860)**	**-**	**-**	**(12 002 892)**	**-**	**(227 409 752)**	**179 635 816**
Infrastructure														
Brides	14 967 765	-	-	247 280	-	-	15 215 045	(3 531 749)	-	-	(193 578)	-	(3 725 327)	11 489 718
Electricity network	179 966 187	173 043	-	17 261 331	-	-	197 400 561	(95 216 693)	-	-	(6 201 404)	-	(101 418 097)	95 982 464
Rail network	97 982	-	-	-	-	-	97 982	(73 486)	-	-	(6 532)	-	(80 018)	17 964
Stormwater network	520 930 998	1 104 689	-	36 882 840	-	-	558 918 527	(350 460 512)	-	-	(27 219 657)	-	(377 680 169)	181 238 358
Dams and reservoirs	125 332 392	-	-	1 624 099	-	-	126 956 491	(8 395 957)	-	-	(560 210)	-	(8 956 167)	118 000 324
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	841 295 324	**1 277 732**	**-**	**56 015 550**	**-**	**-**	**898 588 606**	**(457 678 397)**	**-**	**-**	**(34 181 381)**	**-**	**(491 859 778)**	**406 728 828**
Community Assets														
Buildings	207 761 716	-	-	-	-	-	207 761 716	(126 351 567)	-	-	(6 926 195)	-	(133 277 762)	74 483 954
Carports	4 048 962	146 400	-	-	-	-	4 195 362	(879 498)	-	-	(134 965)	-	(1 014 463)	3 180 899
Guard rooms	78 421	-	-	-	-	-	78 421	(2 829)	-	-	(4 018)	-	(6 847)	71 574
Other facilities	2 652 199	-	-	-	-	-	2 652 199	(1 582 643)	-	-	(123 102)	-	(1 705 745)	946 454
Pavings	9 668 751	247 183	-	-	-	-	9 915 934	(3 187 082)	-	-	(457 048)	-	(3 644 130)	6 271 804
Perimeter fencing	5 951 757	-	-	-	-	-	5 951 757	(2 248 791)	-	-	(237 141)	-	(2 485 932)	3 465 825
Signs	36 431	-	-	-	-	-	36 431	(25 706)	-	-	(2 429)	-	(28 135)	8 296
Stadium with separated buildings	87 312 943	-	-	-	-	-	87 312 943	(55 942 894)	-	-	(2 910 431)	-	(58 853 325)	28 459 618
Streetlights	809 488	-	-	-	-	-	809 488	(463 088)	-	-	(20 237)	-	(483 325)	326 163
Landfill sites	82 818 029	-	-	-	-	2 778 928	85 596 957	(63 555 562)	-	-	(12 151 061)	-	(75 706 623)	9 890 334
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	401 138 697	**393 583**	**-**	**-**	**-**	**2 778 928**	**404 311 208**	**(254 239 660)**	**-**	**-**	**(22 966 627)**	**-**	**(277 206 287)**	**127 104 921**

Ba-Phalaborwa Local Municipality
Ba-Phalaborwa Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2019

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Historical monuments	317 000	-	-	-	-	-	317 000	-	-	-	-	-	-	317 000
	317 000	-	-	-	-	-	317 000	-	-	-	-	-	-	317 000
Work in progress														
Work in progress	97 915 407	42 366 113	-	(56 015 550)	-	-	84 265 970	-	-	-	-	-	-	84 265 970
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	97 915 407	42 366 113	-	(56 015 550)	-	-	84 265 970	-	-	-	-	-	-	84 265 970
Other assets														
Computer Equipment	3 093 843	1 361 763	-	-	-	-	4 455 606	(2 128 574)	-	-	(424 988)	-	(2 553 562)	1 902 044
Furniture & Fittings	12 755 318	1 133 252	-	-	-	-	13 888 570	(9 869 936)	-	-	(1 189 336)	-	(11 059 272)	2 829 298
Machinery and equipment	4 697 970	1 158 952	-	-	-	-	5 856 922	(3 263 750)	-	-	(526 920)	-	(3 790 670)	2 066 252
Office equipment	959 197	127 725	-	-	-	-	1 086 922	(172 487)	-	-	(99 988)	-	(272 475)	814 447
Vihicles	22 318 721	4 456 222	-	-	-	-	26 774 943	(16 960 567)	-	-	(1 135 021)	-	(18 095 588)	8 679 355
Library books	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	43 825 049	8 237 914	-	-	-	-	52 062 963	(32 395 314)	-	-	(3 376 253)	-	(35 771 567)	16 291 396

Ba-Phalaborwa Local Municipality
Ba-Phalaborwa Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2019

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	435 575 760	-	-	(28 530 192)	-	-	**407 045 568**	(215 406 860)	-	-	(12 002 892)	-	**(227 409 752)**	179 635 816
Infrastructure	841 295 324	1 277 732	-	56 015 550	-	-	**898 588 606**	(457 678 397)	-	-	(34 181 381)	-	**(491 859 778)**	406 728 828
Community Assets	401 138 697	393 583	-	-	-	2 778 928	**404 311 208**	(254 239 660)	-	-	(22 966 627)	-	**(277 206 287)**	127 104 921
Heritage assets	317 000	-	-	-	-	-	**317 000**	-	-	-	-	-	-	317 000
Work in progress	97 915 407	42 366 113	-	(56 015 550)	-	-	**84 265 970**	-	-	-	-	-	-	84 265 970
Other assets	43 825 049	8 237 914	-	-	-	-	**52 062 963**	(32 395 314)	-	-	(3 376 253)	-	**(35 771 567)**	16 291 396
	1 820 067 237	**52 275 342**	-	**(28 530 192)**	-	**2 778 928**	**1 846 591 315**	**(959 720 231)**	-	-	**(72 527 153)**	-	**(1 032 247 384)**	**814 343 931**
Agricultural/Biological assets														
Trees and flowers	104 525	-	-	-	87 778	(36 554)	**155 749**	-	-	-	-	-	-	155 749
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	104 525	-	-	-	**87 778**	(36 554)	**155 749**	-	-	-	-	-	-	**155 749**
Intangible assets														
Computer software	2 279 945	-	-	-	-	-	**2 279 945**	(1 732 305)	-	-	(451 470)	-	**(2 183 775)**	96 170
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 279 945	-	-	-	-	-	**2 279 945**	**(1 732 305)**	-	-	**(451 470)**	-	**(2 183 775)**	**96 170**
Investment properties														
Investment property	43 303 307	-	-	-	-	-	**43 303 307**	-	-	-	-	-	-	43 303 307
	43 303 307	-	-	-	-	-	**43 303 307**	-	-	-	-	-	-	**43 303 307**
Total														
Land and buildings	435 575 760	-	-	(28 530 192)	-	-	**407 045 568**	(215 406 860)	-	-	(12 002 892)	-	**(227 409 752)**	179 635 816
Infrastructure	841 295 324	1 277 732	-	56 015 550	-	-	**898 588 606**	(457 678 397)	-	-	(34 181 381)	-	**(491 859 778)**	406 728 828
Community Assets	401 138 697	393 583	-	-	-	2 778 928	**404 311 208**	(254 239 660)	-	-	(22 966 627)	-	**(277 206 287)**	127 104 921
Heritage assets	317 000	-	-	-	-	-	**317 000**	-	-	-	-	-	-	317 000
Work in progress	97 915 407	42 366 113	-	(56 015 550)	-	-	**84 265 970**	-	-	-	-	-	-	84 265 970
Other assets	43 825 049	8 237 914	-	-	-	-	**52 062 963**	(32 395 314)	-	-	(3 376 253)	-	**(35 771 567)**	16 291 396
Agricultural/Biological assets	104 525	-	-	-	87 778	(36 554)	**155 749**	-	-	-	-	-	-	155 749
Intangible assets	2 279 945	-	-	-	-	-	**2 279 945**	(1 732 305)	-	-	(451 470)	-	**(2 183 775)**	96 170
Investment properties	43 303 307	-	-	-	-	-	**43 303 307**	-	-	-	-	-	-	43 303 307
	1 865 755 014	**52 275 342**	-	**(28 530 192)**	**87 778**	**2 742 374**	**1 892 330 316**	**(961 452 536)**	-	-	**(72 978 623)**	-	**(1 034 431 159)**	**857 899 157**